

- Axis Bank Limited reported a net interest income growth of 32% in its Q3-FY23 standalone results at ₹112.43 billion (bn) as against ₹86.53 bn in Q3-FY22, driven by healthy net loan growth of 15% YoY/4% QoQ along with a sharp improvement of 73 bps YoY and 30 bps QoQ in net interest margin (NIMs) to 4.26%. Net Advances too grew by 15% YoY/4% QoQ with the retail loans growing by 17% YoY/1% QoQ. The share of secured retail loans was ~79%, with home loans comprising 34% of the retail book. Home loans grew 9% YOY, Small Business Banking (SBB) grew 60% YOY and 8% QOQ; and rural loan portfolio grew 27% YOY.
- Axis bank's standalone net profit for Q3-FY23 stood at ₹58.53 bn, up by a whopping 62% YOY led by strong NII growth and higher core fee income (23% YoY/6% QoQ) despite higher opex growth of 25% YoY.
- The private lender reported an improvement in its asset quality, with its GNPA/NNPA ratios declining by 12bp/4bp QoQ to 2.4%/0.5%. Slippages increased marginally, while the 'BB' (Rating) and below book witnessed a decline. The restructuring book moderated to 0.30% of gross customer assets (22% provided). The bank did not utilize any Covid-related provisions in Q3-FY23 and holds a cumulative provision (standard + additional other than NPA) of Rs.116 bn, which should support credit costs. The bank's CASA ratio was steady on sequential basis at 44.5% at the end of December 2022 compared to 44.7% at the end of December 2021, while declined from 46.2% a quarter ago.
- Provision and contingencies for Q3FY23 stood at Rs.14.4 bn. These include non-recurring, one-time / prudent provisions of Rs.3.4 bn. Specific loan loss provisions for Q3FY23 stood at Rs.13.4 bn. The Bank has not utilized Covid provisions during the quarter.
- The management believes that its loan growth for FY23 is expected to be around the industry level. Post FY23, the bank aims to grow loans by 500-600bp higher than the industry level. Also, the bank aims to bring down the cost-to-assets ratio to 2% in the medium term. It further stated that NIM includes a one-off item with respect to interest recovery from a restructured account of Rs.1.49b, leading to a 5 bp gain in NIMs.
- Given the healthy asset mix, liability strength, adequate capital and superior customer profile, we believe the bank is poised to face near term challenges and benefit in the phase of normalization. We continue to remain positive on the company and maintain our **BUY** rating on the stock with a target price of **₹1,100 per share**.

Quarterly Results

Financial Results

	Standalone					
(In ₹ mn)	Q3-FY23	Q3-FY22	Chg	9M-FY23	9M-FY22	Chg
Interest Earned	222,264	172,611	28.8%	611,940	496,006	23.4%
Interest Expended	107,671	86,086	25.1%	299,904	252,875	18.6%
Net Interest Income	114,593	86,525	32.4%	312,036	243,131	28.3%
Other Income	46,654	38,404		86,066	76,387	
Operating Expenses	68,473	63,314	8.1%	134,325	121,019	
Pre-Provision Profits	92,775	61,615	50.6%	263,777	198,500	32.9%
Provisions	14,377	13,348		19,875	30,699	
PBT	78,398	48,267	62.4%	243,902	167,801	45.4%
Tax	19,867	12,125		38,234	22,722	
Exceptional Items	-	-		-	-	
PAT	58,531	36,142	61.9%	205,669	145,078	41.8%

Margins

	Standalone					
Margins	Q3-FY23	Q3-FY22	Chg BPS	9M-FY23	9M-FY22	Chg BPS
Operating Margin %	51.6%	50.1%	143	51.0%	49.0%	197
Net Margin %	26.3%	20.9%	540	33.6%	29.2%	436

Source: Company, Anand Rathi Research

Standalone Financials:

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
Interest Earned	633,462	673,768	874,607	1,004,901
Interest Expended	341,071	342,446	418,433	495,561
Net Interest Income	292,391	331,322	456,174	509,339
Other Income	122,636	152,205	175,036	192,540
Operating Expenses	183,751	236,108	283,329	305,995
Pre-Provision Profits	231,276	247,420	347,882	395,884
Provisions	143,217	73,594	40,477	50,596
PBT	88,059	173,826	307,405	345,288
Tax	22,174	43,571	77,466	87,012
PAT	65,885	130,255	229,939	258,275

Particulars	FY-21	FY-22	FY-23E	FY-24E
NII Growth (%)	16.0%	13.3%	37.7%	11.7%
Operating Margin %	46.2%	49.2%	52.2%	50.7%
Net Margin %	10.4%	19.3%	26.3%	25.7%

(In ₹ mn)	FY-21	FY-22	FY-23E	FY-24E
<u>Liabilities</u>				
Equity Share Capital	6,127	7,625	6,139	6,139
Reserves & Surplus	1,009,903	1,144,115	1,374,054	1,632,329
Total Shareholder's Funds	1,016,030	1,151,741	1,380,193	1,638,468
Minority Interest	-	-	-	-
Deposits	6,979,853	8,217,209	8,874,586	10,205,774
Borrowings	1,428,732	1,851,339	1,943,906	2,041,101
Other Liabilities & Provisions	443,362	531,493	950,073	972,815
Total	9,867,976	11,751,781	13,148,758	14,858,158
<u>Assets</u>				
Balance with RBI and banks	617,298	1,109,871	1,313,039	1,565,475
Investments	2,261,196	2,755,972	3,031,569	3,334,726
Advances	6,143,994	7,076,960	8,067,734	9,277,894
Net Block	41,353	43,632	63,679	79,170
Capital Work in Progress	1,097	2,091	2,132	2,173
Other Assets	803,038	763,255	670,606	598,720
Total	9,867,976	11,751,781	13,148,758	14,858,158

Particulars	FY-21	FY-22	FY-23E	FY-24E
EPS (₹)	21.4	42.4	74.8	84.1
P/E (x)	40.6	20.5	11.6	10.4
P/B (x)	2.6	2.3	1.9	1.6
BVPS (₹)	330.7	374.9	449.2	533.3
ROE	6.5%	11.3%	16.7%	15.8%

Risks :

- ☐ The company is exposed to credit, liquidity and interest rate risk.
- ☐ Any adverse movement in macroeconomic indicators may lead to lower than estimated growth and profitability.



Rating and Target Price History:

Axis Bank rating history & price chart



Axis Bank rating details

Date	Rating	Target Price	Share Price
31-Jan-20	BUY	902	729
14-May-20	BUY	626	402
23-Feb-21	BUY	800	716
06-May-21	BUY	830	716
06-Aug-21	BUY	860	741
21-Nov-21	BUY	860	706
6-Dec-22	BUY	1,125	939
31-Jan-23	BUY	1,100	871

Source: Ace Equity, Anand Rathi Research

NOTE: Prices are as on 31 January 2023 close.



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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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